



Charter for Development of the Alaskan North Slope



The Alaska Department of
Environmental Conservation's

2008–2009 Report

Charter for Development of the Alaskan North Slope



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<http://www.dec.state.ak.us/spar/ipp/nscharter.htm>

The Alaska Department of Environmental Conservation (ADEC) is pleased to present the following report summarizing the status of the Charters' environmental commitments for the calendar years of 2008 and 2009.



Environmental Commitments

PROVISIONS

2008 – 2009 COMMITMENT STATUS

Cleanup of Abandoned (Orphan) Sites (II.A.1)

By year end 2005, BP will spend \$10,000,000 or more to assess and clean up North Slope Orphan Sites.

This program concluded December 31, 2005 with total expenditures of approximately \$10,100,000.

Cleanup of Abandoned Empty Barrels (II.A.2)

BP and CPA will inventory and remove abandoned barrels encountered as part of their respective seismic or exploration activities.

BP removed 354 abandoned barrels in 2008 and 206 abandoned barrels in 2009. CPA did not locate and therefore did not remove any barrels in 2008 or 2009.

To date, CPA has removed 1507 abandoned barrels and BP has removed 671 abandoned barrels under this program.

This commitment is ongoing for the life of the merger, and both BP and CPA will continue to document the location of abandoned barrels until a sufficient number is found to warrant a recovery effort.



Environmental Commitments

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2008 – 2009 COMMITMENT STATUS

Accelerated Cleanup of Existing Contaminated Sites (II.A.3)

BP and CPA will assess and cleanup contaminated sites listed on Exhibit D2 to standards approved by ADEC.

High priority sites will be substantially completed by year end 2005.

Remaining sites will be completed by year end 2007.

Sites which due to operational restrictions cannot be fully cleaned until facility or equipment abandonment will be identified by BP, CPA and ADEC for completion according to a mutually agreed schedule.



BP completed cleanup and ADEC issued closure status for the following sites during 2008 and 2009:

- ARCO EOA Fire Training Area
- ARCO Pad Three (East End)
- Kuparuk River State 1
- D Pad
- Milne Point CFP Unlined Relief Pit
- North Prudhoe Bay State #1
- Lake State #1

CPA completed cleanup and ADEC issued closure status for the following site during 2008:

- West Sak 24

BP is responsible for 24 of the 42 sites listed on Exhibit D2. Of the 24 sites, BP has closed 21 sites. Investigation and monitoring continues at the following three remaining sites that were granted extensions until 2010:

- ARCO Crude Oil Topping Unit
- ARCO Drill Site Maintenance Pad (Shop Site)
- BP Milne Point A Pad

CPA is responsible for 18 of the 42 contaminated sites listed on Exhibit D2. Of the 18 sites, CPA has closed 17 sites. Due to its remote nature, the deadline for cleanup at the one following remaining CPA site has been extended until 2010:

- West Mikkleson #1

**Environmental
Commitments****PROVISIONS****2008 – 2009
COMMITMENT STATUS****Accelerated
Cleanup of
Inactive Reserve
Pits
(II.A.4)**

BP and CPA will comply with ADEC regulatory requirements in closing inactive reserve pits.

BP and CPA will close inactive reserve pits listed in Exhibit D3A (Production Reserve Pits) and subject to the Natural Resources Defense Council Inc. v. ARCO settlement agreement by December 31, 2004 and will close the other inactive reserve pits listed on Exhibit D3A by the end of 2007.

BP and CPA will close inactive reserve pits listed on Exhibit D3B (Exploration Reserve Pits) according to a mutually agreed schedule that ends a reasonable period after work on D3A sites has been completed.

BP and CPA successfully completed closure of all sites subject to the Natural Resources Defense Council Inc. v. ARCO settlement agreement prior to December 31, 2004. CPA also closed all Production Reserve Pits by December 31, 2004. Additional work on closure of inactive reserve pits has continued on a mutually agreed upon schedule.

From their Charter commitments,

In 2008:

- BP closed 3 Production Reserve Pits and 4 Exploration Reserve Pits
- CPA closed 2 Exploration Reserve Pits

In 2009:

- BP closed 4 Exploration Reserve Pits
- CPA closed 1 Exploration Reserve Pit

To date,

CPA has been granted ADEC closure of:

- All 37 Production Reserve Pits
- 40 of the 43 Exploration Reserve Pits

BP has been granted ADEC closure of:

- 29 of the 50 Production Reserve Pits
- 28 of the 41 Exploration Reserve Pits

For 2010, progress continues with BP working on 2 Exploration Sites (in addition to 1 non-Charter site) and CPA working on 1 Exploration Site. BP will also excavate one Production Reserve Pit. ADEC and BP are in discussions regarding extending the closure schedule for the remaining Production Reserve Pits.

All Exploration Reserve Pits are scheduled to be closed by 2014.



Environmental Commitments

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2008 – 2009 COMMITMENT STATUS

North Slope Spill Response (II.A.5)

BP and CPA will support an independent professional North Slope spill response organization (Alaska Clean Seas) and will encourage the fullest possible participation in Alaska Clean Seas (ACS) by all North Slope producers.

BP and CPA will support and vote in favor of funding to ACS for an Arctic spill response research and development (R&D) program jointly agreed to by, ACS, BP, CPA and ADEC at an average annual level of not less than \$200,000 during the 10 year period following completion of the merger.



ADEC, BP, CPA and ACS representatives serve on an R&D Planning Team to collaborate, identify, prioritize and recommend a suite of projects to be conducted during the upcoming calendar year.

Past R&D projects (2000 thru 2008) include:

- 2000 International Oil & Ice Workshop
- Mechanical Oil Recovery in Ice Infested Waters (MORICE)
- Barge Ice Deflection System
- Temporary Pipeline Concept
- Viscous Oil Pumping Studies
- Emulsion Breaker Studies
- Ice Access Guidelines
- Oil Spill Trajectory Modeling
- Environmentally Sensitive Area Predictions & Mapping
- Coastal Ocean Dynamic Radar Support
- Ground Penetrating Radar Studies
- SINTEF Oil in Ice Joint Industry Program (JIP) Support
- Spill Related Analysis of NS Crude Oils
- De-Icing Rope Mop Skimmer Studies
- Pour Point Depressor Studies

Current R&D projects (2009 and 2010) include:

- SINTEF Oil in Ice JIP to develop tools and technologies for spill response in ice infested waters (continued support);
- Airborne Ground Penetrating Radar for detecting oil in and under ice (continued studies);
- ADEC Tundra Treatment Guidelines (field research and revisions);
- Oleophilic Skimmer Research (tests to evaluate the potential of the Crucial disc skimmer to respond to Arctic oil spills, including the effects of cold and the skimmer's "ice processing" capability).

Total program expenditures through year end 2008 are \$1,540,828.

The 10 year period for this commitment will draw to a close in 2010.

Environmental Commitments

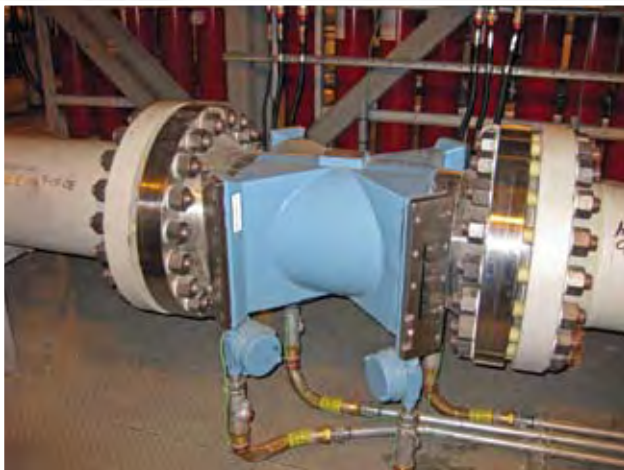
PROVISIONS

2008 – 2009 COMMITMENT STATUS

Corrosion Monitoring and Related Practices (II.A.6)

In consultation with ADEC, BP and CPA will develop a performance management program for the regular review of corrosion monitoring and related practices for non-common carrier North Slope pipelines operated by BP and CPA. Program highlights include:

- On average, twice yearly meet-and-confer working sessions between BP, CPA and ADEC;
- Reports by BP and CPA on their current and projected monitoring, maintenance and inspection practices to assess and to remedy potential or actual corrosion and other structural concerns related to these lines;
- Ongoing consultation with ADEC regarding environmental control technologies and management practices.



The first corrosion meet-and-confer session was held in April of 2001. Since then ADEC has met with BP and CPA twice yearly, once in the spring and once in the fall, to confer on their corrosion monitoring programs. Beginning in 2003, the group chose to replace one of the in-town sessions with an in-the-field session, which allowed the group to observe corrosion mitigation and inspection activities first-hand across the North Slope. The field meet-and-confer session has continued each year since. ADEC also consults with BP and CPA on an as needed basis throughout the year.

BP and CPA submit annual corrosion reports to ADEC, which provide the status of current and projected monitoring activities. These reports are issued on or before March 31st of each year, and reflect the previous calendar year.

BP 2008 corrosion program highlights include:

- Continued increase to both the capacity and competency of the corrosion teams;
- Construction of new Prudhoe Bay oil transit pipelines was completed and placed in service;
- The GPB seawater injection line from DS1 to DS12 was replaced and the MPU produced water injection pipeline at B-pad was replaced;
- A GIS was developed and deployed in 2008. The first phase of the project includes the major cross country flow lines and employs technology that allows the practitioner to map corrosion inspection data to specific flow lines;
- New advancements in nondestructive examination (NDE) technology were implemented primarily around the detection of corrosion under insulation (CUI) program.

CPA 2008 corrosion program highlights include:

- Implemented technologically more advanced maintenance pigging hardware to improve pigging efficiency;
- Added new corrosion inhibitor injection and storage facilities to GKA and WNS;
- Expanded use of infrared thermography to detect wet insulation on well lines;
- Smart pigged 22" water injection flow lines for the first time;
- Inspected the below-grade fuel gas supply line to the Kuparuk Seawater Treatment Plant using a tethered smart pig. This is the first known tethered pig application on the North Slope;
- Increased resources, especially in API 570 inspection;
- Formalized API 570 inspection protocols and corrective action notification workflow processes.

This commitment is ongoing for the life of the merger.

Environmental Commitments

PROVISIONS

2008 – 2009 COMMITMENT STATUS

Additional Expenditure Commitment (II.A.7)

BP and CPA will pay or spend up to an aggregate total of \$500k each year during the 10 year period following completion of the merger for any combination of the following as requested annually in writing by the ADEC Commissioner:

- Additional orphan site assessment or cleanup in excess of cap established under II.A.1;
- Additional Arctic spill response research and development in excess of the amount established under II.A.5;
- Funding for experts chosen by ADEC to provide advice on pipeline corrosion and/or other pipeline structural integrity issues.

ADEC requests funding for projects of interest and for Charter coordination and management costs on an annual basis.

Projects funded through this commitment include:

- ADEC Tundra Treatment Guidelines (research and revisions);
- Mechanical Recovery Systems for Ice-Infested Waters – Examination of Technologies for the Alaskan Beaufort Sea;
- North Slope Nearshore and Offshore Breakup Study;
- Ground Penetrating Radar to Detect Oil In and Under Ice (studies and workshop);
- Funding for experts to provide advice on pipeline corrosion and other pipeline structural integrity issues;
- 2006 Pipeline Maintenance & Intelligent Pigging Conferences;
- Beaufort Sea Current Study – Estimates of Oil Spill Dispersion Extent in the Nearshore Beaufort Sea Based on *In Situ* Oceanographic Measurements;
- 2007 International Oil & Ice Workshop;
- Incident Investigation and Root Cause Analysis & Management's Role in a Successful Corrective Action Program (workshops).

The 10 year period for this commitment will draw to a close in 2010.



Environmental Commitments

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2008 – 2009 COMMITMENT STATUS

Payment of Unspent Funds (II.A.8)

In the event that expenditures by BP and CPA is less than the full amounts provided for under Charter paragraphs II.A.1, II.A.5, and II.A.7, then BP and CPA will pay any outstanding balance as directed by the ADEC Commissioner.

The II.A.1 Orphan Sites Program concluded on December 31, 2005 and BP has met their full expenditure commitment.

The 10 year funding periods under paragraphs II.A.5 and II.A.7 will draw to a close in 2010. Any unspent balances will be directed by ADEC for payment in 2010.



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2008 – 2009 COMMITMENT STATUS

Renewed Commitment to OPA 90 (II.B.1)



BP and CPA will not seek to be relieved from vessel retirement or replacement requirements of the Oil Pollution Act of 1990 (OPA 90), will not lobby for a reduction in OPA 90 requirements, and will not take any other action to extend the retirement dates of non-double-hulled tankers.

If a trade association or group of which BP and CPA is a member takes a different position, BP and CPA upon notification and request by ADEC, will issue a statement reaffirming its support for OPA 90.

Compliance with OPA 90 tanker construction requirements were achieved in 2006 by both BP and CPA.

Replacement Vessels (II.B.2)



In furtherance of their commitment to meet or exceed the OPA 90 standards and timetable, BP and CPA will complete the purchase and delivery of double-hulled tankers to meet their combined Alaskan North Slope (ANS) fleet requirements on average one year earlier than required by OPA 90, with the expectation that the entire ANS fleet will be double-hulled by mid-year 2007.

These new tankers will have safety related attributes substantially equivalent to or better than Millennium or Cape class tankers including:

- new build double-hulls;
- main power plant redundancy;
- twin propellers;
- twin rudders;
- twin independent steering;
- proven electronics.

In addition, BP and CPA will continue to support a ship escort response vessel system for Prince William Sound at current or better levels of effectiveness.

Both BP and CPA have completely converted their ANS tanker fleets to OPA 90 compliant, state-of-the-art double hull tankers that include independent engine rooms, dual propulsion systems and dual steering systems.

BP operates a fleet of four state-of-the-art double hull tankers that were placed into service as follows:

- Alaskan Frontier, 2004
- Alaskan Explorer, 2004
- Alaskan Navigator, 2005
- Alaskan Legend, 2006

CPA operates a fleet of five state-of-the-art double hull tankers that were placed into service as follows:

- Polar Endeavor, 2001
- Polar Resolution, 2002
- Polar Discovery, 2003
- Polar Adventure, 2004
- Polar Enterprise, 2006

This commitment is ongoing for the life of the merger.



Environmental Commitments

PROVISIONS

2008 – 2009 COMMITMENT STATUS

Marine Operations (II.B.3)

BP and CPA will encourage and support the companies operating ANS tankers in using a performance management program for the regular review of its management and operations practices, including a safe environment, training and qualifications, and vessel operation, maintenance and management procedures.

This program will include meet-and-confer working sessions between the operating company and ADEC, scheduled on average once per year. This program will include the following components:

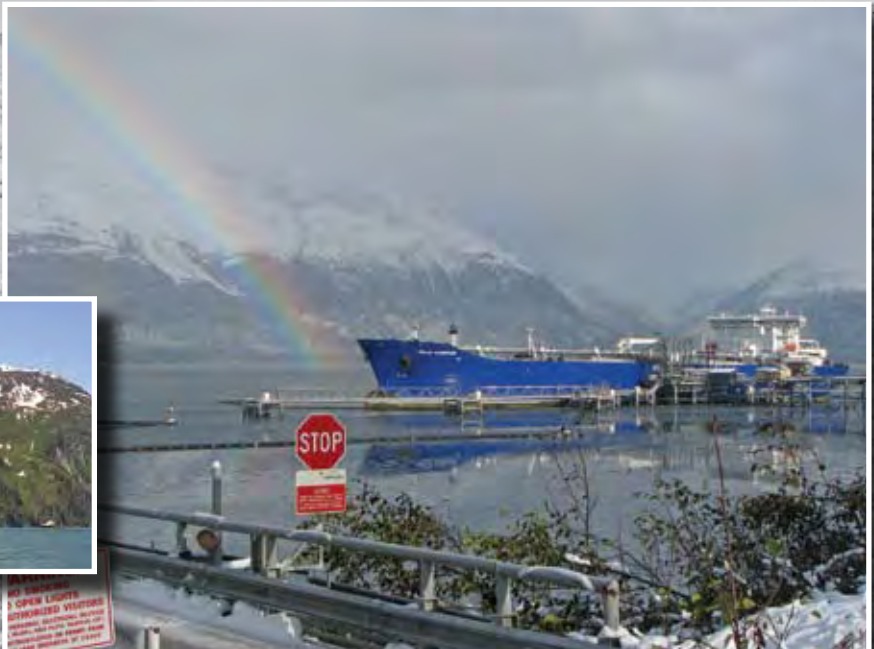
- Reports by the operation company of their current and anticipated management and operations practices;
- Ongoing consultation between the operating companies and ADEC on tanker management and operation practices;
- Involvement of BP and CPA in those sessions and consultations on a monitoring basis.

In addition, BP and CPA will encourage the operating companies to allow ADEC personnel to observe, and be provided written results of audits as part of a certification or re-certification process for the International Maritime Organization's International Safety Management Code or for the International Standards Organization.

ADEC personnel regularly conduct shipboard inspections of BP and CPA tank vessels at the Valdez Marine Terminal. These inspections cover, among other things, maintenance and personnel training. The ADEC inspection reports are forwarded to BP and CPA management personnel.

ADEC staff participates with Alaska Tanker Company and Polar Tanker personnel in quarterly meetings of the Valdez Marine Safety Committee (VMSC) which addresses safety of navigation issues in Port Valdez and Prince William Sound.

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